

P-511/M-89-325REQUIRING USE OF INDUSTRY STANDARD METHOD TO CALCULATE
SUBSCRIBER PLANT FACTOR AND APPROVING RESULTING INTRASTATE ACCESS
CHARGES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Compliance Filing of
Clara City Telephone Company to Adjust its
Intrastate Access Charges

ISSUE DATE: October 18, 1989

DOCKET NO. P-511/M-89-325

ORDER REQUIRING USE OF INDUSTRY
STANDARD METHOD TO CALCULATE
SUBSCRIBER PLANT FACTOR AND
APPROVING RESULTING INTRASTATE
ACCESS CHARGES

PROCEDURAL HISTORY

On March 31, 1989 Clara City Telephone Company (the Company) made a compliance filing proposing adjustments in its intrastate access charges. The Company's intrastate access charges had originally been established in an Order dated August 1, 1988 in In the Matter of a Summary Investigation Into IntraLATA Toll Access Compensation for Local Exchange Carriers Providing Telephone Service Within the State of Minnesota, P-999/CI-85-582. The test year revenue requirement set for the Company in that Order was based on a frozen subscriber plant factor developed from the Company's initial feasibility study. The Company did not have the data available to calculate an actual subscriber plant factor (SPF), because it had recently converted from an average schedule incremental cost methodology to a cost based one.

The Company's March 31 filing proposed to adjust its intrastate access charges to reflect more accurate data developed to calculate its frozen SPF. The filing included the industry standard method for calculating the intrastate frozen SPF and a proposed "proportional" method for calculating the intrastate frozen SPF. The filing also contained the revenue requirement and carrier common line charges resulting from each method.

The Department of Public Service, Northwestern Bell Telephone Company, and AT&T Communications of the Midwest, Inc. filed comments objecting to the recalculation of the subscriber plant factor. These parties stated that the Company's alternative calculation attributed higher costs to intrastate operations than the standard calculation, could result in double recovery of access costs from intrastate and interstate operations, and was inequitable in light of all other companies' use of the standard calculation.

The matter came before the Commission on October 3, 1989.

FINDINGS AND CONCLUSIONS

The Commission agrees with the commenting parties that the Company's "proportional" method of calculating the subscriber plant factor should be disapproved. The alternative calculation proposed by the Company shifts revenue requirements from the interstate jurisdiction to the intrastate jurisdiction, with no corresponding reduction in interstate access charges. This could result in a double recovery, and a double payment by Minnesota ratepayers, of access costs. Any change in the method of calculating the subscriber plant factor would have to be coordinated between the state and federal jurisdictions to avoid such a result.

The commenting parties are also correct in stating that basic fairness requires that all local exchange companies use the same formula to calculate their subscriber plant factors.

The Commission will reject the Company's proposal to use the proportional method of calculating the subscriber plant factor and require the Company to use the industry standard method instead.

ORDER

1. The Company's proposal to use the "proportional" method to calculate the subscriber plant factor is denied.
2. The Company's calculation of the subscriber plant factor based on the industry standard method, and the resulting carrier common line charges, are approved.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)